

TRANSPORTATION AND TRAVEL

POLICY NO. TR-12

SUBJECT: Fuel-Related Rate Adjustment Policy

POLICY

A. Written provision will be made in Surface Deployment and Distribution Command (SDDC) regulations and solicited tender agreements for fuel related rate adjustments. At the discretion of the Contracting Officer this Fuel-Related Rate Adjustment Policy may be included in SDDC Federal Acquisition Regulation (FAR) contracts. The following Fuel-Related Rate Adjustment policy provides the transportation industry, including individual carriers, economic adjustment and reasonable relief from increases in diesel fuel prices. Carriers are urged to consider changes in fuel prices when submitting or supplementing rates during rate filing and/or bid submission periods. See Sections I and J for specific program applications and exceptions.

B. Issue Date: The issue date is 2 Jan 01.

C. Effective Date: The effective date is 1 Apr 01.

D. Expiration Date: The expiration date is 2 Apr 04 and is subject to reauthorization on an annual basis at the sole discretion of HQ SDDC. The SDDC Fuel Board will consider changes and modifications to this policy.

E. Application: The policy will apply to SDDC Personal Property and Domestic Freight Programs.

F. Policy:

1. Application: Applicability of the Fuel-Related Adjustment is based on guidance contained in the solicitation or other procurement request for transportation services. Application of a Fuel-Related Rate Adjustment will be determined the first Monday of the month and based on the National Average diesel fuel price as determined by the Department of Energy, Energy Information Administration (EIA). If the first Monday is a holiday the fuel price will be determined based on the price on the next business day.

2. Determination of Adjustment: Only the National Average diesel fuel price as published by the DOE, EIA on the first Monday of the month (or the first working day after a Monday if the Monday falls on a Federal Holiday) may be used as a basis for determining the applicability of a Fuel-Related Rate Adjustment. The fuel adjustment will automatically apply to shipments picked up on or after the 15<sup>th</sup> day of the month through the 14<sup>th</sup> day of the following month. The diesel fuel prices published by the EIA may be found via the following sources:

- EIA Website: <http://www.eia.doe.gov/>
- EIA Weekly Petroleum Status Report
- EIA Hotline: (202) 586-6966

It is the responsibility of the carrier to monitor diesel fuel prices via one of the sources identified above. The National Average diesel fuel price determined by the DOE, EIA on the first Monday of the month will serve as the basis for determining the entitlement to a Fuel-Related Rate Adjustment, until the first Monday of the following month when the National Average diesel fuel price is published. The National Average fuel price and the actual pickup date of the shipment will determine if there is an entitlement to an adjustment and the amount of the adjustment. An adjustment is not applicable to any portion of transportation in which a surcharge or any other additional payment for fuel is already in existence. For example, portions of transportation to which the Bunker Fuel Surcharge is applicable.

3. Amount of Adjustment: The table below will be used to determine the fuel related rate adjustment factor. No fuel adjustment will be granted when prices are within the neutral range ("0"). When the DOE, EIA fuel price exceeds the neutral range amount, the carrier will be entitled to the specific fuel rate adjustment percentage based on the applicable fuel cost per gallon range as indicated in the table. The increase applies to line haul transportation charges only unless otherwise identified in the solicitation.

<u>Cost per Gallon (in cents)</u>	<u>Rate Adjustment %</u>
130.0 and below	0
130.1-140.0	1
140.1-150.0	2
150.1-160.0	3
160.1-170.0	4
170.1-180.0	5
180.1-190.0	6
190.1-200.0	7
200.1-210.0	8

For example, if the reported DOE, EIA National Average diesel fuel price is \$1.52 the carrier would be entitled to a fuel-related surcharge of 3% for shipments picked up on or after the 15<sup>th</sup> of the month. For each 10 cents per gallon above 220.0 add 1%.

4. Readjustments: The surcharge is automatically recalculated monthly and adjusted upward or downward depending on the DOE EIA National Average price on the 1<sup>st</sup> Monday of the month. In no case will the adjustment lower the original price offered in the carriers' initial filing or response to a solicitation.

G. Billing Procedures: Carriers will clearly show fuel price adjustments on all paper and electronic commercial freight bills and Government Bills of Lading and invoices. The amount of any diesel fuel rate surcharge must be shown as a separate item on the carriers' invoice.

H. This policy supersedes Policy No. 55-4 Fuel Related Carrier Rate Changes.

I. Personal Property Program: Specific program applications and exceptions are listed below:

1. Applications: (CONUS segment, including Alaska and Hawaii)

- a. Line haul portion of domestic interstate and intrastate movements.
- b. Domestic line haul portion of international personal property movements.
- c. Transportation charges applicable on domestic and international storage-in-transit shipments when such shipments are delivered or removed from the domestic storage-in-transit warehouse.

2. Exceptions: None.

J. Domestic Freight Program: Specific program applications are listed below:

1. Applications:

- a. Applies only to the domestic line haul portion of the carrier rate.
- b. Applies to CONUS to CONUS bulk fuel and general

commodities barge movements.

- c. Applies to assessorial Commercial Security Escort Vehicles (CSEV). (Effective with shipments picked up after 1 Jul 03.)

2. Exceptions: None

## Fuel-Related Rate Adjustment Table

Ref: SDDC Fuel-Related Rate Adjustment Policy (TR-12)

1 Apr 01

1. Rate Adjustments are based on the national average diesel fuel price as published by the Department of Energy (DOE), Energy Information Administration (EIA) on the first Monday of the month (or the first working day after a Monday if the Monday falls on a Federal holiday).

2. The adjustment for the corresponding shipping period is a result of comparing the EIA price with the SDDC Fuel Policy baseline. This determines the applicability of a Fuel-Related Rate Adjustment. The Shipment Period column indicates the effective period of the rate adjustment. Shipments must be picked up during this time period for the adjustment to apply.

EIA Publication Date	Shipment Period	EIA Price Per Gallon	Rate Adjustment (%)
N/A	01 Apr 01 - 14 Apr 01	N/A	N/A
2-Apr-01	15 Apr 01 - 14 May 01	1.391	1
7-May-01	15 May 01 - 14 Jun 01	1.47	2
4-Jun-01	15 Jun 01 - 14 Jul 01	1.514	3
2-Jul-01	15 Jul 01 - 14 Aug 01	1.407	2
6-Aug-01	15 Aug 01 - 14 Sep 01	1.345	1
4-Sep-01	15 Sep 01 - 14 Oct 01	1.488	2
1-Oct-01	15 Oct 01 - 14 Nov 01	1.39	1
5-Nov-01	15 Nov 01 - 14 Dec 01	1.291	0
3-Dec-01	15 Dec 01 - 14 Jan 02	1.194	0
7-Jan-02	15 Jan 02 - 14 Feb 02	1.168	0
4-Feb-02	15 Feb 02 - 14 Mar 02	1.144	0
4-Mar-02	15 Mar 02 - 14 Apr 02	1.173	0
1-Apr-02	15 Apr 02 - 14 May 02	1.295	0
6-May-02	15 May 02 - 14 Jun 02	1.305	1
3-Jun-02	15 Jun 02 - 14 Jul 02	1.300	0
1-Jul-02	15 Jul 02 - 14 Aug 02	1.289	0
5-Aug-02	15 Aug 02 - 14 Sep 02	1.304	1
2-Sep-02	15 Sep 02 - 14 Oct 02	1.388	1
7-Oct-02	15 Oct 02 - 14 Nov 02	1.460	2
4-Nov-02	15 Nov 02 - 14 Dec 02	1.442	2
2-Dec-02	15 Dec 02 - 14 Jan 02	1.407	2
6-Jan-03	15 Jan 03 - 14 Feb 03	1.501	3
3-Feb-03	15 Feb 03 - 14 Mar 03	1.542	3
3-Mar-03	15 Mar 03 - 14 Apr 03	1.753	5
7-Apr-03	15 Apr 03 - 14 May 03	1.554	3

Source: DOE Energy Information Administration, National Average Diesel Fuel Price Weekly Survey